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ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03

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FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 3033

SECDEF WASHDC PRIORITY

INFO ALL NATO CAPITALS 3511

AMEMBASSY ATHENS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 5871

E.O. 11652: GDS, 12/31/79

TAGS: MCAP, PFOR, NATO

SUBJECT: BURDENSARING CURRENT BOX SCORE

REF: USNATO 5794

SUMMARY. ALLIED CAPITALS ARE NOW DIGESTING ILLUSTRATIVE PROPOSAL
TABLED BY MISSION AT NOVEMBER 29 NAC WHICH, ASSUMING 100 PERCENT
OFFSET IN US-FRG BILATERAL, WOULD COVER REMAINDER OF U.S.
MILITARY EXPENDITURES IN NATO EUROPE BY COMBINATION OF INCREASED
PROCUREMENT IN THE U.S., REDUCTION IN U.S. SHARE OF NATO BUDGETS,
ELIMINATION OF U.S. SHARE OF CENTRAL EUROPEAN PIPELINE DEFICIT,
APPROVAL OF NEW CATEGORIES OF ELEGIBILITY FOR NATO INFRASTRUCTURE
FOR FORCES STATIONED ABROAD, AND ASSUMPTION OF ADDITIONAL U.S.
BUDGETARY COSTS. A BOX SCORE OUTLINES THE CURRENT STATUS OF
EACH ALLY'S COMMITMENT, OR LACK THEREOF, TO PARTICIPATE IN
SPECIFIC BURDENSARING MEASURES. BASED ON STATED ALLIED
POSITIONS TO DATE, MOST PROMISING AREAS FOR SECSTATE AND
SECDEF TO PRESS FOR CONCRETE AND VISIBLE COMMITMENTS AT DECEMBER
MINISTERIALS ARE NATO BUDGETS, CENTRAL EUROPEAN PIPELINE
DEFICIT, NATO INFRASTRUCTURE ELIGIBILITY, AND INCREASED MILITARY
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PROCUREMENT IN THE U.S. I RECOMMEND EXPLICIT AND FORCEFUL INI-
TIATIVES BY SECSTATE AND SECDEF AT FORTHCOMING MEETINGS TO
IMPRESS UPON ALLIED MINISTERS OUR NEED FOR FORWARD MOVEMENT ON
BURDENSARING TO BE USEFUL FOR FEBRUARY REPORT TO CONGRESS

AS REQUIRED BY JACKSON-NUNN AMENDMENT. BOTH PUBLIC AND PRIVATE STATEMENTS ARE NEEDED. THIS OPPORTUNITY SHOULD NOT BE MISSED. END SUMMARY.

1. MY STATEMENT AT NOVEMBER 29 NAC ON BURDENSARING AND TABLING OF ILLUSTRATIVE PROPOSAL OF ONE POSSIBLE WAY IN WHICH U.S. MILITARY BOP DEFICIT FOR FY 74 MIGHT BE MET HAS PROVIDED ALLIED CAPITALS WITH DATA, HOWEVER TENTATIVE, WHICH THEY CAN DIGEST, DISCUSS AMONG THEMSELVES, AND BE PREPARED TO USE AS DEPARTING POINT FOR TALKS WITH SECSTATE AND SECDEF AT DECEMBER MINISTERIALS. WHILE WE HAVE EMPHASIZED TO ALLIES THAT OUR PROPOSAL IS MERELY ILLUSTRATIVE AND BASED ON ASSUMPTIONS WHICH ULTIMATELY MAY PROVE INVALID, MINISTERIAL MEETINGS PRESENT OPPORTUNITY TO PIN ALLIES DOWN ON INITIAL STEPS THEY ARE NOW WILLING TO TAKE BILATERALLY AND COLLECTIVELY TO MEET CONDITIONS IMPOSED UPON US BY JACKSON-NUNN AMENDMENT.

2. GIVEN UNCERTAINTIES STILL UNRESOLVED REGARDING OUR REFINED EXPENDITURES ESTIMATES, ACCOUNTING ELIGIBILITY UNDER NEW LAW, EXCHANGE RATE CONVERSION RULES AND FINAL OUTCOME OF USG-FRG BILATERAL, ALLIES REALIZE THAT STEPS THEY MAY TAKE IN DECEMBER CANNOT BE DEFINITIVE. AT THE SAME TIME, MOST ALSO REALIZE IT IS IMPORTANT IN POLITICAL AND PSYCHOLOGICAL TERMS TO DEMONSTRATE FORWARD MOVEMENT ON BURDENSARING. THEREFORE, U.S. SHOULD USE FORTHCOMING MINISTERIAL MEETINGS (DPC AND NAC) TO CONTINUE TO IMPRESS FORCEFULLY UPON ALLIED GOVERNMENTS AT HIGH POLITICAL LEVEL THAT EXECUTIVE BRANCH OF USG IS REQUIRED BY LAW TO SUBMIT PROGRESS REPORT TO CONGRESS BY FEBRUARY, AND THAT WE NEED VISIBLE AND CONCRETE ACTION BY MINISTERS. IT IS IMPORTANT THAT U.S. USE EVERY EFFORT TO FIRM UP SOME COMMITMENTS BEFORE OUR NEGOTIATING POSITION FOR EQUITABLE BURDENSARING IS MADE MORE DIFFICULT BY COMBINATION OF PUBLISHED IMPROVEMENT IN OVERALL U.S. BALANCE OF PAYMENTS POSITION AND PROBABLE WEAKENING OF EUROPEAN ECONOMIES DUE TO REPERCUSSIONS FROM ENERGY SHORTAGE.

3. AS OF THIS DATE, AFTER ROUGHLY SIX MONTHS OF DISCUSSION
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IN BRUSSELS, IN WASHINGTON, AND IN NATO CAPITALS, SOME ALLIES HAVE RESPONDED POSITIVELY IN REGARD TO CERTAIN OPTIONS AIRED, SOME HAVE REACTED GENERALLY NEGATIVELY, AND OTHERS HAVE REMAINED SILENT. WITH THIS IN MIND, IT SHOULD BE USEFUL FOR OUR SECRETARIES OF STATE AND DEFENSE TO HAVE A CLEAR NOTION OF THE PRESENT BOX SCORE OF ALLIED RESPONSE TO OUR INITIATIVE.

(A) REDUCTION OF U.S. SHARE IN NATO BUDGETS. ALL COUNTRIES HAVE AGREED THAT APPROPRIATE COMMITTEES SHOULD STUDY THE NATO BUDGETS ON A PRIORITY BASIS TO CONSIDER THE EFFECTS OF REVISIONS. BELGIUM, CANADA, DENMARK, GERMANY, THE NETHERLANDS, AND NORWAY HAVE GONE BEYOND "STUDY" COMMITMENT TO SAY THEY AGREE THAT U.S. SHARE IN ALL OR SOME OF NATO BUDGETS SHOULD BE REDUCED IN A

MULTILATERALLY AGREED UPON ARRANGEMENT.

(B) INCREASED PURCHASES OF MILITARY EQUIPMENT IN U.S. DENMARK, ITALY, THE NETHERLANDS, AND NORWAY HAVE ANNOUNCED IN THE COUNCIL THEIR INTENTION TO INCREASE PURCHASES OF MILITARY EQUIPMENT IN THE U.S., AND TURKEY HAS SAID THAT ITS HIGH LEVEL OF U.S. MILITARY PROCUREMENT WILL CONTINUE. IN ADDITION, THE U.K. HAS SUBMITTED A NATO DEFENSE PLANNING QUESTIONNAIRE INDICATING PLANS TO MAKE GREATER PURCHASES OF U.S. MILITARY EQUIPMENT DURING CY 74. ADDITIONAL PURCHASES OF U.S. MILITARY EQUIPMENT COULD ADD UP TO AT LEAST \$207 MILLION, RAISING THE TOTAL OF SUCH PROCUREMENT TO \$750 MILLION IN FY 74.

(C) BILATERAL OFFSET AGREEMENTS-BOTH THE FRG AND CANADA HAVE STATED THAT THEIR CONTRIBUTIONS TO BURDENSARING EFFORT WOULD BE RESTRICTED TO BILATERAL ARRANGEMENTS WITH THE U.S., ALTHOUGH BOTH ARE AGREEABLE TO SOME REDUCTION IN THE U.S. SHARE OF NATO BUDGETS (INFRASTRUCTURE ONLY FOR FRG).

(D) ADDITIONAL BUDGETARY COSTS OF STATIONING U.S. FORCES IN EUROPE. ONLY THE NETHERLANDS, THUS FAR, HAS SPECIFIED THAT IT WOULD BE WILLING TO ASSUME SOME OF ADDITIONAL U.S. BUDGETARY COSTS (NON-US PERSONNEL AND PROPERTY MAINTENANCE) OF STATIONING FORCES IN THE NETHERLANDS.

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4. AS FOR THE REMAINDER OF OUR ALLIES, TURKEY HAS DIVORCED ITSELF FROM BURDENSARING EXCEPT FOR CONTINUING MILITARY PROCUREMENT, ON THE BASIS OF ITS OWN ECONOMIC UNDERDEVELOPMENT AND THE HIGH PERCENTAGE OF GNP IT DEVOTES TO DEFENSE, THE U.K.

HAS DECLINED TO PARTICIPATE IN ANY MULTILATERAL NATO BUDGET RELIEF SCHEMES BECAUSE OF BRITAIN'S LARGE MILITARY AND OVERALL BOP DEFICIT; LUXEMBOURG IS STUDYING THE QUESTION; AND FRANCE, GREECE, ICELAND, AND PORTUGAL HAVE REFRAINED FROM ANY COMMITMENT TO PARTICIPATE.

5. FORCEFUL DEMARCHES BY SECSTATE AND SECDEF AT MINISTERIALS, PUBLICLY AND PRIVATELY ARE NECESSARY TO ELICIT VISIBLE, CONCRETE AND EXPEDITIOUS COMMITMENTS FROM OUR ALLIES. EXAMPLES ARE IN REDUCING THE U.S. SHARE IN NATO BUDGETS, ELIMINATING THE U.S. SHARE IN THE CENTRAL EUROPEAN PIPELINE DEFICIT, AND THE APPROVAL OF NEW CATEGORIES OF ELIGIBILITY FOR NATO INFRASTRUCTURE COVERING FACILITIES FOR FORCES STATIONED ABROAD. THIS WOULD RESULT IN A SAVING TO THE U.S. OF SOME \$46.5 MILLION ANNUALLY, BASED ON APPROXIMATELY \$30 MILLION IN INFRASTRUCTURE COSTS, \$14 MILLION IN THE MILITARY BUDGET, AND \$2.5 MILLION IN THE CIVILIAN BUDGET. ELIMINATING THE U.S. SHARE IN THE CENTRAL EUROPEAN
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PIPELINE DEFICIT WOULD EFFECT AN ADDITIONAL \$2.5 MILLION SAVINGS. FINALLY, APPROVAL OF NEW CATEGORIES OF ELIGIBILITY FOR NATO INFRASTRUCTURE COVERING FACILITIES FOR FORCES STATIONED ABROAD COULD PROVIDE U.S. BUDGETARY RELIEF OF ABOUT \$31 MILLION. THE TOTAL RELIEF AFFORDED THE U.S. BY THE COMBINED EFFECT OF THESE REDUCTIONS WOULD BE \$80 MILLION. THIS WOULD STILL BE \$70 MILLION SHORT OF WHAT WOULD BE REQUIRED, ASSUMING MILITARY PROCUREMENT OF \$750 MILLION AND A 100 PERCENT OFFSET IN THE US-FRG BILATERAL. IT WOULD, NEVERTHELESS, BE A USEFUL FIRST STEP IN THE RIGHT DIRECTION.

6. A SECOND AREA FOR PRODUCTIVE INTERVENTION IS IN THE AREA OF MILITARY PROCUREMENT IN THE U.S. OUR ALLIED MINISTERS SHOULD BE URGED MULTILATERAL AND BILATERALLY TO INCREASE U.S. PROCUREMENT BY ACCELERATING AND/OR DIVERTING PLANNED OR ANTICIPATED DEFENSE CAPITAL EXPENDITURES.

7. I AM CONVINCED THAT AN EXPLICIT AND FORCEFUL INITIATIVE BY SECSTATE AND SECDEF AT THE MINISTERIAL IS A SINE QUA NON TO PUSH CONSIDERATION OF THE BURDENSARING PROBLEM TO THE HIGHEST LEVELS OF OUR ALLIES' GOVERNMENTS AND TO DRAMATIZE THE URGENCY OF THE PROBLEM.
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